

Message Text

LIMITED OFFICIAL USE

PAGE 01 TOKYO 13927 161246Z

14

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

AGR-05 AGRE-00 /105 W

----- 011551

R 160955Z SEP 76

FM AMEMBASSY TOKYO

TO SECSTATE WASDC 2290

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SEOUL

LIMITED OFFICIAL USE TOKYO 13927

E.O. 11652: N/A

TAGS: EGEN, JA

SUBJECT: ECONOMIC ISSUES AT EXTRAORDINARY DIET SESSION

REF: TOKYO 13265

1. BEGIN SUMMARY. EXTRAORDINARY SESSION OF DIET CONVENES SEPT. 16 TO CONSIDER ENABLING LEGISLATION TO PERMIT NEW GOJ BORROWING OF ABOUT \$13 BILLION AND OTHER BILLS. CABINET DIFFICULTIES HAVE HAD MINIMAL ECONOMIC AFFECTS AND WE CONTINUE TO EXPECT GNP REAL GROWTH THIS YEAR AT 6.5-7.0 PERCENT. EXPORT GROWTH SEEMS TO BE SLOWING, WHILE CONSUMPTION AND INVESTMENT ARE STRONGER. END SUMMARY.

2. EXTRAORDINARY SESSION OF DIET WILL CONVENE SEPTEMBER 16 TO CONSIDER SEVERAL MEASURES OF ECONOMIC SIGNIFICANCE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TOKYO 13927 161246Z

MAJOR ITEM, AND THE ONE INDISPENSIBLE BILL, IS THE SPECIAL

FINANCING BILL TO ENABLE GOJ TO COVER ITS BUDGET DEFICIT BY BORROWING UP TO DOLS 13 BILLION. OTHER BILLS TO INCREASE RAIL FARES AND TELEPHONE CHARGES WILL BE CONSIDERED BUT THERE IS REAL DOUBT THEY WILL BE PASSED IN THE PRE-ELECTION PERIOD. IT IS LIKELY THAT BILLS WILL ALSO BE INTRODUCED TO PROVIDE TYPHOON DAMAGE RELIEF, EMERGENCY CROP LOSS COMPENSATION TO FARMERS AND HIGHER PAY FOR RAILROAD WORKERS.

3. JAPAN'S "NON-STOP" CABINET CRISIS, WHICH HAS DELAYED THE DIET SPECIAL SESSION UNTIL THE LAST MOMENT, HAS HAD LITTLE OR NO NOTICEABLE IMPACT ON THE ECONOMY. ECONOMIC RECOVERY IS CONTINUING AND OVERALL PERFORMANCE IS GOOD, EVEN THOUGH SOME INDUSTRIES SUCH AS SHIPBUILDING AND SOME INDICATORS SUCH AS THE UNEMPLOYMENT RATE ARE LAGGING BADLY. ECONOMIC GROWTH IN THE SECOND QUARTER WAS 4.5 PERCENT AT AN ANNUAL RATE--WELL BELOW THE UNUSUALLY HIGH FIRST QUARTER FIGURE OF 13.4 PERCENT. WE CONTINUE TO EXPECT GROWTH FOR THE YEAR TO BE 6.5-7.0 PERCENT IN REAL TERMS, A RATE WHICH DOES NOT SEEM TO RISK INCREASING INFLATION.

4. RISING EXPORTS, WHICH UNTIL RECENTLY PROVIDED MUCH OF THE STIMULUS FOR RECOVERY, HAVE NOW BEEN JOINED BY STRONGER CONSUMER AND INVESTMENT DEMAND. EXPORTS IN AUGUST DECLINED 1.4 PERCENT FROM JULY ON SEASONALLY ADJUSTED BASIS, BUT ARE UP 23 PERCENT FROM THE RELATIVELY LOW FIGURE FOR AUGUST 1975. PRELIMINARY FIGURES INDICATE THAT AUGUST IMPORTS ARE UP ON A CUSTOMS CLEARANCE BASIS 3.6 PERCENT OVER JULY AND BY 22 PERCENT OVER A YEAR AGO. THUS, WHILE THE SIGNS ARE SOMEWHAT MIXED, JAPAN'S EXPORT BOOM DOES SEEM TO BE GIVING WAY TO A MORE BROADLY BASED EXPANSION.

5. WE HAVE HEARD SOME REPORTS THAT THE CABINET CRISIS AND DELAYS IN FUNDING LEGISLATION ARE HURTING THE ECONOMY, BUT SEE NO STRONG EVIDENCE THAT THAT IS SO. INDUSTRIAL PRODUCTION AND SHIPMENTS ROSE IN JULY. NEW BUSINESS INVESTMENT PLANS SHOW MODERATE INCREASES. JAPAN'S ECONOMIC BUREAUCRACY SEEMS TO FUNCTION JUST ABOUT AS WELL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TOKYO 13927 161246Z

WHETHER DEPUTY PRIME MINISTER FUKUDA AND OTHER CABINET MEMBERS ARE DISTRACTED BY Factional STRIFE OR NOT. THERE HAS BEEN SOME CONCERN THAT LEGISLATIVE DELAYS MAY FORCE A RUSH OF GOVERNMENT BORROWING AT THE END OF JFY 1976, CAUSING FINANCIAL MARKET DISRUPTION AND HURTING BUSINESS BORROWING. IN ADDITION IT COULD HINDER FINANCING THE GOJ DEFICIT IN A NON-INFLATIONARY WAY. NEVERTHELESS, JAPAN'S ECONOMY SEEMS SOLIDLY ON THE RAILS

TOWARD STEADY EXPANSION.
HODGSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, CENTRAL LEGISLATURE
Control Number: n/a
Copy: SINGLE
Draft Date: 16 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO13927
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760350-0678
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760951/aaaabrxp.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 TOKYO 13265
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2004 by CollinP0>; APPROVED <16 AUG 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC ISSUES AT EXTRAORDINARY DIET SESSION
TAGS: EGEN, PGOV, JA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006